

GAO

Briefing Report to the Chairman,
Subcommittee on Defense,
Committee on Appropriations
House of Representatives

May 1987

AIR DEFENSE TRAINING

Contract Cost for Replacing T-33 Aircraft Training Mission



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-224674

May 20, 1987

The Honorable Bill Chappell, Jr.
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

As requested in your April 18, 1986, letter, we reviewed the Air Force's plan to retire obsolete T-33 aircraft owned by the Air National Guard and used primarily for providing airborne electronic countermeasure (ECM) training. You requested that we analyze the cost effectiveness of either replacing T-33 aircraft with T-39 aircraft or contracting out the T-33's training mission as proposed by the Air Force. Under the Air Force proposal, a contractor would provide, maintain, and operate aircraft and equipment used for ECM training. The Subcommittee was particularly concerned that any alternative provide at least as much capability to the Air National Guard as it has with the T-33 aircraft.

On October 1, 1986, we provided an interim report¹ for your use during the fiscal year 1987 budget process. In that report, we discussed the cost effectiveness of replacing the T-33s with T-39s and provided you with preliminary information concerning the Air Force's plan to contract for the ECM training. At that time the cost of contracting out the mission could not be determined because contractor proposals had not been received. We agreed with your Office to review the proposals before award and report to you on the cost effectiveness of contracting ECM training. This briefing report presents the results of that work.

COST EFFECTIVENESS OF
REPLACING T-33s WITH T-39s

The 5-year cost of replacing the T-33 aircraft with the T-39 is slightly higher than continuing to use the T-33s. This is primarily due to the high cost of retrieving and restoring the retired T-39s.

¹T-33 Aircraft Replacement Options (GAO/NSIAD-87-10, Oct. 1, 1986).

As stated in our interim report, Air Force officials estimated the flying hour costs to restore, operate, and maintain 60 T-39s would be \$401.3 million (in inflated dollars) for the first 5 years. They estimated the 5-year operation and maintenance cost for 60 T-33s to be \$344.3 million, a difference of \$57 million.

We found the estimated costs for the upgraded ECM equipment for both aircraft and the cost to retrieve and restore the T-39 aircraft were understated. We also noted that the Air Force cost comparison was based on using the same number of each aircraft. We were informed by Air Force and Air National Guard officials that the T-39, being more fuel efficient and capable of staying airborne longer than the T-33, could provide the required ECM training with fewer total flying hours and fewer aircraft. The Air Force, in performing its cost comparison, did not determine the optimum number of T-33 or T-39 aircraft required. Accordingly, at the time of our interim report, we were unable to determine the cost of replacing the T-33 with the T-39.

Subsequent to our report, we requested the Air Force to revise the cost estimates using (1) the optimum number of aircraft required, (2) revised costs for upgraded ECM equipment, and (3) updated estimates for retrieving the T-39s from storage. These estimates showed the cost for the T-39s and T-33s for the first 5 years, in inflated dollars, to be \$307.1 million and \$304.3 million, respectively. The cost of the T-39s is slightly higher because the savings from using fewer T-39s did not completely offset the high cost of retrieving the T-39s from retirement.

COST EFFECTIVENESS OF CONTRACTING OUT

The Air Force's plan to contract out the ECM training mission could be more cost effective than using either the T-33 or T-39 aircraft. The Air Force issued a request for proposals on July 15, 1986, which was later amended to call for a multiyear contract beginning April 1987 and extending through fiscal year 1991. According to Air Force officials, at least one qualified proposal was received for less than the total \$130 million contained in the Air Force's proposed 5-year budget plan for the contract.

In April 1987, we reviewed contractor proposals. Based on this review and statements by a spokesperson for the National Guard Bureau, we concluded that the combined

quality and quantity of ECM training provided by the contracted service would be superior to the training capability the T-33 provided to the Air National Guard. The contracted service flying hours may be less than T-33 flying hours in some years; however, a National Guard Bureau spokesperson stated that this is more than offset by the quality of ECM training provided by the contract.

Under the contract, there is budget shortfall in fiscal year 1988. Air Force officials believe that the amount necessary to continue the proposed contract in fiscal year 1988 will be funded. We did not evaluate and compare T-39 costs to estimated contract costs beyond 5 years since the T-39 proposal was intended to be an interim replacement for the T-33. However, a 25-year cost comparison by the Air Force showed that contracting would continue to be less costly.

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In performing our review, we interviewed officials at the Department of the Air Force Headquarters, the National Guard Bureau, the Air Force's Tactical Air Command, the North Dakota Air National Guard, the Aerospace Maintenance and Regeneration Center, Davis-Montham Air Force Base, and two defense contractors--Flight Systems, Incorporated, and Sabreliner Corporation. We also verified the accuracy of selected financial information provided to us by the Air Force. Our work was performed during July and August 1986 and in April 1987.

This report was discussed with Department of Defense officials and their views have been incorporated where appropriate. As requested, we did not obtain official agency comments.

We are sending copies of this report to the Chairmen, Senate and House Committees on Appropriations, on Armed Services,

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and on Budget; and the Secretaries of Defense and the Air Force. Copies will also be provided to interested parties and made available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "Harry R. Finley".

Harry R. Finley
Senior Associate Director

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